

Analyst Briefing Notes

Budget Committee

November 3, 2009

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 10-Year Recommended Capital Plan for Long-Term Care Homes & Services (LTCHS) provides funding to ensure a safe and comfortable living environment is provided for long-term care residents by maintaining homes in a state of good repair and addressing health and safety issues. In addition, funding is also provided for the redevelopment of Kipling Acres to ensure compliance with the Ministry of Health and Long-Term Care (MOHLTC) standards.
- LTCHS' 10-Year Recommended Capital Plan of \$115.500 million is allocated to Legislated projects at \$47.860 million or 41.4%; Health and Safety (H&S) projects at \$35.925 million or 31.1%; and State of Good Repair (SOGR) projects at \$31.715 million or 27.5%. The 10-Year Recommended Capital Plan includes the following major projects:
 - Redevelopment of Kipling Acres into a 192-bed long-term care home, contingent upon MOHLTCHSHS approvals and funding (\$47.860 million gross, \$24.447 million debt)
 - Ongoing SOGR and H&S projects, which focus on mechanical, electrical, and building upgrades (\$67.640 million)
- The 2009 Approved Capital Budget of \$11.584 million was 39.3% or \$4.547 million spent, as at September 30th, 2009. Expenditures by year-end are projected to be \$9.849 million or 85.0% of the 2009 Approved Capital Budget. This represents a slight improvement over the actual spending rate of 82.6% experienced in 2008.
 - The projected under expenditure of \$1.735 million is primarily attributed to the delays in the Kipling Acres architectural study. Of the total \$1.735 million underspending, \$1.375 million in 2009 funding will be carried forward into 2010. The remaining \$0.360 million in underspending has been deferred to 2011 based on revised project requirements.
- The 10-Year Recommended Capital Plan totals \$116.875 million, including 2009 carry forward funding into 2010 of \$1.375 million, of which \$76.141 million is projected for the first 5 years, with the final 5 years requiring funding of \$40.734 million.
 - The 10-Year Recommended Capital Plan requires new debt funding of \$73.199 million and is \$22.447 million above the Council approved debt affordability target of \$50.752 million due to the mandatory redevelopment of Kipling Acres. Other sources of funding include Recoverable Debt of \$25.053 million; and Homes for the Aged Capital Reserve withdrawals of \$17.248 million.
 - Changes to the 2009-2018 Approved Capital Plan total \$45.651 million or 73.9% compared to the 2010 Recommended Capital Budget and 2011-2018 Recommended Capital Plan. The overall increase is attributed to the addition of the Kipling Acres

redevelopment project. In addition, cash flows for SOGR & H&S projects have been reduced based on historical spending rates, capacity to spend and debt affordability.

- Approval of the 2010 Recommended Capital Budget and 2011-2019 Capital Plan will reduce operating budgets and positions by \$3.7 million gross, and \$0.2 million net in 2013 (15 positions), and \$2.3 million gross and \$0.8 million net in 2014 (25 positions), as a result of the redevelopment and downsizing of Kipling Acres, from 337 beds to 192 beds. The remaining 145 beds will be included in future year plans (Phase 2) subject to available funding. The current 337-bed home will continue to operate during the construction of a new 192-bed home.
- The 10-Year Recommended Capital Plan includes funding for SOGR projects totalling \$3.433 million that will reduce the SOGR backlog to \$2.9 million (or 1.5% of total asset value of \$189.0 million) by 2019. The SOGR backlog increases by \$3.841 million in the first three years as a result of SOGR project deferrals due to debt affordability and redevelopment of Kipling Acres. Following the completion of the redevelopment of Kipling Acres, SOGR backlog is reduced by \$8.481 million in years 2014 - 2019.
- All project costs included in the 10-Year Recommended Capital Plan are based on firm engineering estimates and a comprehensive building assessment. SOGR and H&S cash flows have been reprioritized based on capacity to spend, historical spending rates, and debt affordability. With the architectural study for redevelopment of Kipling Acres underway, and Provincial approvals expected by late November 2009, construction of the new Kipling Acres home will be ready to commence by mid 2010.
- The 10-Year Recommended Capital Plan provides funding to advance the strategic direction of Long-Term Care Homes & Services as well as priority actions outlined in the Mayor's and Council's policy agenda:
 - H&S and SOGR projects will ensure a safe and comfortable living environment for long-term care residents.
 - Redevelopment of Kipling Acres, located in a priority neighbourhood, will meet the legislated requirement to redevelop type B or C homes, and ensure life safety issues are addressed.
- The 2010 Recommended Capital Budget for previously approved and new/change in scope projects (excluding 2009 carry forward funding into 2010) of \$12.410 million is 52.4% allocated to Legislated projects at \$6.500 million; 35.7% to H&S projects at \$4.435 million; and, 11.9% or \$1.475 million to SOGR projects.
- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new/change in scope projects of \$23.610 million in 2011; and \$17.750 million in 2012.
- The 2009 summer labour disruption caused delays to the tender releases, requiring unspent 2009 funding to be carried forward into 2010. However, the labour disruption will not impact

the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan as the projects are ready to proceed.

- The Long-Term Care Homes & Services Program has six long-term care homes in need of redevelopment within the next 10-12 years as per the Ministry of Health and Long-Term Care capital renewal policy. Kipling Acres is LTCHS' most urgent priority for redevelopment due to its aging facility. Not proceeding with the development will result in significant SOGR costs, totalling \$15.000 million over the next four years, as well as non-compliance penalties. An application for the redevelopment of Kipling Acres has already been submitted to the Province and Provincial approvals of the application are expected by late November 2009.
- The redevelopment of Kipling Acres is planned over two phases. Phase 1 includes downsizing the current 337 long-term care bed home to a new 192 long-term care bed home on the existing site. Phase 2 includes redevelopment of the remaining 145 beds at another site when funding becomes available.
 - The redevelopment of 192 long-term care beds on the current site may also include a "campus of care" component, which could include joint public and private partnerships to develop supportive housing, community agency space, and retail space, creating a community hub for seniors. The campus of care will not be funded from debt and once details are finalized, the General Manager of Long-Term Care Homes will provide an update to the Community Development & Recreation and Budget Committees.
 - The 10-Year Recommended Capital Plan includes funding of \$48.860 million for the redevelopment of Kipling Acres into a 192-bed home (Phase 1). Upon completion of construction, MOHLTC's capital renewal strategy will provide annual funding of \$1.002 million for 25 years, bringing the total Provincial funding to \$25.053 million. The redevelopment of Kipling Acres is subject to Provincial funding confirmation and approvals.
 - The Long-Term Care Homes & Services Program has an additional five long-term care homes in need of redevelopment within the next 10-12 years as per the MOHLTC capital renewal policy. Capital requirements in excess of the amounts included in the 10-Year Capital Recommended Plan will be reviewed and included in future years' Capital Plans.
- The 2010 Recommended Capital Budget is \$13.785 million (including \$1.375 million in 2009 carry forward funding into 2010), with \$5.672 million funded from debt, \$3.428 million funded from recoverable debt and \$4.685 million from the HFA Capital Reserve Fund. The 2010 Recommended Capital Budget includes ongoing funding to:
 - Replace damaged flooring, ceiling tiles, lighting fixtures, air handling units, exhaust fans, hot water heaters, HVAC and piping systems, hand rails in various long-term care homes; reconstruct parking lots, walkways and repair building exteriors
 - Modernize hydraulic passenger, freight elevators, replace/ upgrade nurse call systems; and fire alarms/suppression systems
 - Complete the architectural study for the redevelopment of Kipling Acres and commence the redevelopment of Kipling Acres Phase into a 192 long-term care bed home

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) Council approve the 2010 Recommended Capital Budget for Long-Term Care Homes & Services with a total project cost of \$51.770 million, and 2010 cash flow of \$13.785 million and future year commitments of \$41.360 million comprised of the following:
 - a) New Cash Flow Funding for:
 - i) 11 new/change in scope sub-projects with a 2010 total project cost of \$51.770 million that requires cash flow of \$10.410 million in 2010 and a future year commitment of \$23.610 million in 2011; and \$17.750 million in 2012;
 - ii) 5 previously approved sub-projects with a 2010 cash flow of \$2.000 million;
 - b) 2009 approved cash flow for 1 previously approved sub-project with carry forward funding from 2009 into 2010 totalling \$1.375 million;
- (2) Council approve new debt service costs of \$0.142 million in 2010 and incremental debt costs of \$0.871 million in 2011, \$1.363 million in 2012 and \$0.881 million in 2013 resulting from the approval of the 2010 Recommended Capital Budget, to be included in the 2010 and future year operating budgets;
- (3) Council approve the 2011-2019 Recommended Capital Plan for Long-Term Care Homes totalling \$61.730 million in project estimates, comprised of \$5.500 million in 2011; \$4.000 million in 2012; \$3.200 million in 2013; \$8.296 million in 2014; \$8.313 million in 2015; \$8.313 million in 2016; \$8.036 million in 2017; \$8.036 million in 2018; and, \$8.036 million in 2019; and,
- (4) Council consider operating savings of \$(0.200) million net in 2013; and \$(0.800) million net in 2014 emanating from the approval of the 2010 Recommended Capital Budget for inclusion in the 2010 and future year operating budgets.
- (5) Council approve the redevelopment of Kipling Acres (Phase 1) into a 192-bed long-term care home, subject to confirmation of Provincial funding of \$25.053 million over 25 years once construction is completed; and
- (6) the General Manager of Long Term Care Homes and Services report to the Community Development and Recreation Committee and Budget Committee, as part of the 2011 Capital Budget process, on a plan to redevelop the remainder of all B and C classified long-term care homes within the 10-Year Capital Plan that includes the following:
 - a) proposed business model;
 - b) minimum financial requirements to reconstruct the type B and C classified long-term care homes;
 - c) timing of expenditures and bed development; and
 - d) implications on state of good repair backlog of not proceeding in the next ten years.

PART I: CAPITAL PROGRAM

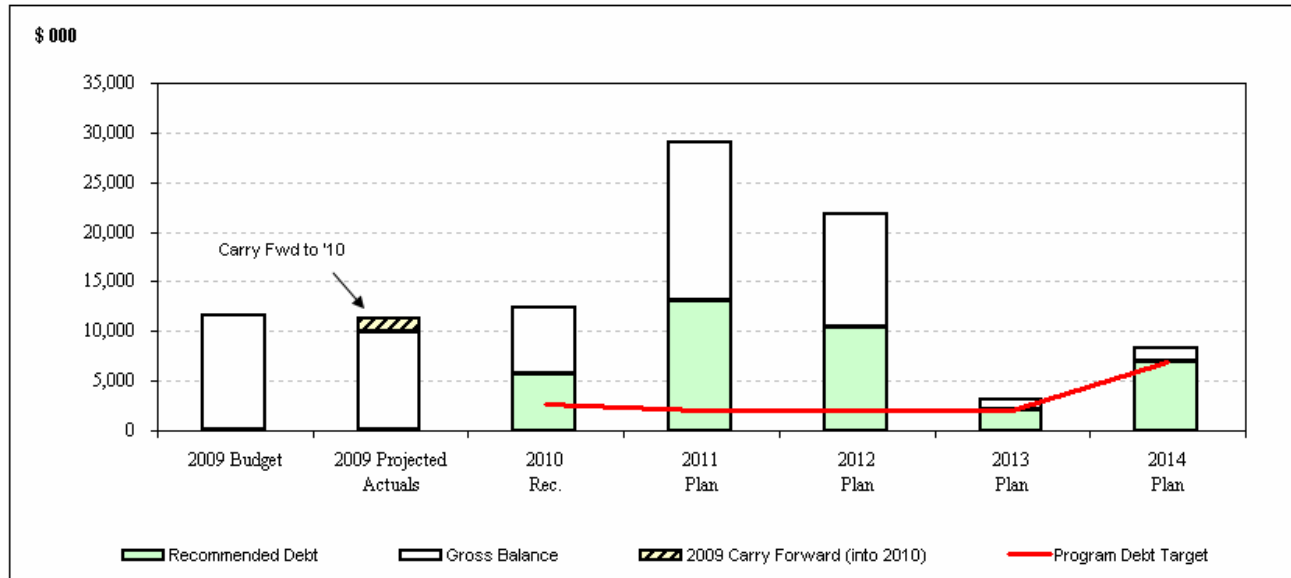
2009 Capital Variance Review

2009 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2009 Approved	Actuals as of September 30 (3rdQtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
11,584	4,547	39.3%	9,849	85.0%	1,735

- At the end of the 3rd quarter, Long-Term Care Homes and Services (LTCHS) spent \$4.547 million or 39.3 % of the total 2009 approved cash flow of \$11.584 million (which includes the 2008 carry forward funding of \$1.984 million). The labour disruption created delays to tender releases and therefore the Program is projecting that \$9.849 million or 85% of its 2009 Approved Budget will be spent by year-end, which is a slight improvement over the actual spending rate of 82.6% experienced in 2008.
- The main driver of the projected variance is the Kipling Acres redevelopment study, which will be under spent by \$1.360 million by year-end. Out of the \$1.360 million of unspent 2009 funding, \$1.000 million will be carried forward into 2010, and \$0.360 million will be carried forward into 2011 to reflect revised needs of the Program.
- State of Good Repair projects represent 16.5% or \$1.916 million of the 2009 approved cash flows of \$11.584 million. As of September 30th, 2009, 55.1% of the approved funding for SOGR projects was spent. The completion rate in the same period of last year was 60.1%. State of Good Repair projects are projected to be spent 100% by year-end.

10-Year Capital Plan

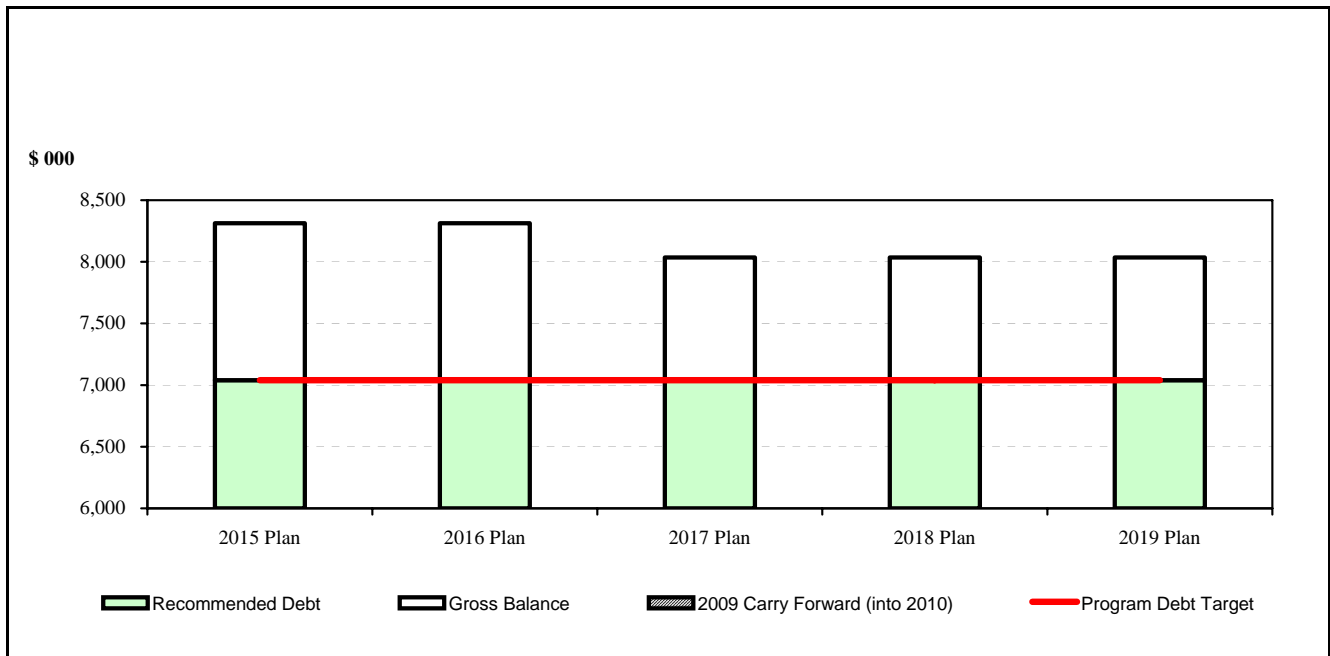
2010 Recommended Capital Budget, 2011-2014 Recommended Capital Plan



	2010 Rec. Budget and 2011-2014 Plan								5-Year Total Percent
	2009		2010	2011	2012	2013	2014	2010-2014	
	Budget	Projected Actual							
Gross Expenditures:									
2009 Capital Budget & Approved FY Commitments	11,584	9,849	2,000					2,000	3%
Recommended Changes to Approved FY Commitments									
2010 New/Change in Scope and Future Year Commitments			10,410	23,610	17,750			51,770	69%
2011- 2014 Capital Plan Estimates				5,500	4,000	3,200	8,296	20,996	28%
1-Year Carry Forward to 2010		1,375							
Total Gross Annual Expenditures & Plan	11,584	11,224	12,410	29,110	21,750	3,200	8,296	74,766	100%
Program Debt Target	2,000		2,600	2,000	2,000	2,000	6,952	15,552	
Financing:									
Recommended Debt			5,672	12,987	10,388	2,000	6,952	37,999	51%
Debt (Recoverable)			3,428	12,263	9,362			25,053	34%
Reserves/Reserve Funds			3,310	3,860	2,000	1,200	1,344	11,714	16%
Development Charges									
ISF									
Provincial/Federal									
Other Revenue									
Total Financing			12,410	29,110	21,750	3,200	8,296	74,766	100%
By Category:									
Health & Safety			4,435	5,500	3,534	2,605	3,442	19,516	26%
Legislated			6,500	23,610	17,750			47,860	64%
SOGR			1,475		466	595	4,854	7,390	10%
Service Improvement									
Growth Related									
Total By Category			12,410	29,110	21,750	3,200	8,296	74,766	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)			2,000	630	1,211	1,207	(3,483)		
Accumulated Backlog Estimate (end of year)		6,405	8,405	9,035	10,246	11,453	7,970	7,970	
Operating Impact on Program Costs						(200)	(800)	(1,000)	
Debt Service Costs			142	920	1,623	1,141	384	4,210	

10-Year Capital Plan

2015-2019 Recommended Capital Plan



	2015-2019 Capital Plan						10-Year Total Percent
	2015	2016	2017	2018	2019	2010-2019	
Gross Expenditures:							
2009 Capital Budget & Approved FY Commitments						2,000	
Recommended Changes to Approved FY Commitments						0	
2010 New/Change in Scope and Future Year Commitments						51,770	
2015 - 2019 Capital Plan Estimates	8,313	8,313	8,036	8,036	8,036	61,730	53%
Total Gross Annual Expenditures & Plan	8,313	8,313	8,036	8,036	8,036	115,500	53%
Program Debt Target	7,040	7,040	7,040	7,040	7,040	50,752	
Financing:							
Recommended Debt	7,040	7,040	7,040	7,040	7,040	73,199	63%
Debt (Recoverable)						25,053	22%
Reserves/Reserve Funds	1,273	1,273	996	996	996	17,248	15%
Development Charges							
ISF							
Provincial/Federal							
Other Revenue							
Total Financing	8,313	8,313	8,036	8,036	8,036	115,500	100%
By Category:							
Health & Safety	3,442	3,442	3,175	3,175	3,175	35,925	31.1%
Legislated						47,860	41.4%
SOG	4,871	4,871	4,861	4,861	4,861	31,715	27.5%
Service Improvement							
Growth Related							
Total By Category	8,313	8,313	8,036	8,036	8,036	115,500	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)	(1,000)	(1,000)	(1,000)	(1,000)	(998)	(3,433)	
Accumulated Backlog Estimate (end of year)	6,970	5,970	4,970	3,970	2,972	2,972	
Operating Impact on Program Costs						(1,000)	
Debt Service Costs	906	915	915	915	915	8,777	

10-Year Capital Plan Overview

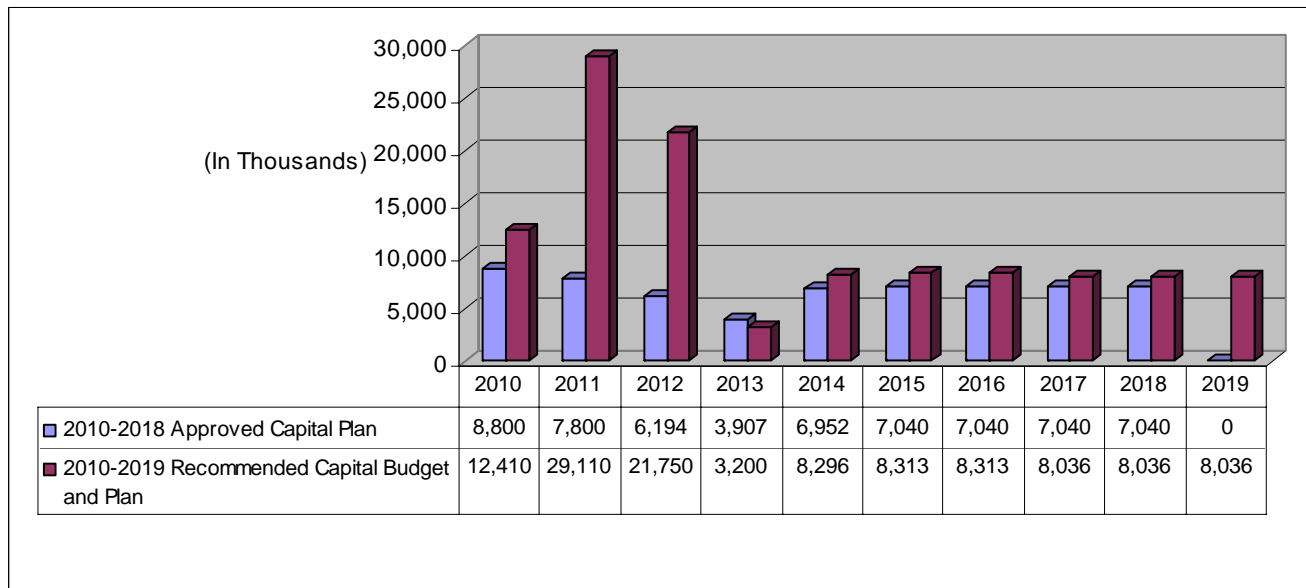
- Long-Term Care Homes and Services 2010-2019 Recommended Capital Plan has been developed to support its strategic vision of providing high quality long-term care and services for residents by addressing life safety issues and ensuring the sustainability of home's physical plants and financial assets. The Recommended 2010-2019 Capital Plan maintains homes in a state of good repair and meets the Ministry of Health and Long-Term Care compliance requirements regarding safety. The 10-Year Recommended Capital Plan includes the necessary redevelopment of Kipling Acres based on revised Provincial standards and requirements.
- The 2010 Recommended Capital Budget and 2011 to 2019 Recommended Capital Plan of \$115.500 million require debt financing of \$73.199 million or 63%, recoverable debt financing of \$25.053 million or 22%, and the Homes for the Aged Capital Reserve withdrawals of \$17.284 million or 15%. Long-Term Care Homes & Services is \$22.447 million over the debt affordability target of \$50.752 million for the years 2010-2012, as a result of the legislated requirement to redevelop Kipling Acres. Once Phase 1 of the Kipling Acres redevelopment project is completed and at full occupancy (2013), Kipling Acres will receive annual Provincial subsidies of \$1.002 million for 25 years, for total Provincial funding of \$25.053 million, to offset ongoing debt charges.
- The following summarizes the allocation of recommended funding by project category:
 - The 10-Year Recommended Capital Plan allocates \$47.860 million or 41% to a Legislated project for the redevelopment of Kipling Acres.
 - Health and Safety (H&S) and State of Good Repair (SOGR) projects represent approximately 59% or \$67.64 million of the funds allocated in the 10-Year Recommended Capital Plan. Both H&S and SOGR projects address the renewal and life safety needs of aging facilities and focus on ensuring a safe and comfortable living environment for long-term care residents. The recommended H&S and SOGR projects align with service objectives by focusing on mechanical, electrical, and building upgrades, as well as specialty system upgrades, including resident access control systems.
- A comprehensive building condition assessment completed in the spring of 2006 identified a backlog of SOGR maintenance of \$6.4 million (or 3.4%) by the end of 2009 for the Program's 10 homes, valued at \$189.0 million. The 2010-2019 Recommended Capital Plan will reduce the SOGR backlog to \$2.92 million by 2019, or 1.5% of LTCHS' total asset value.
- The Province announced on July 31, 2007, a capital renewal strategy to redevelop long-term care homes in Ontario over a ten to fifteen year period, beginning in 2009. The MOHTLC has provided an outline of the capital renewal strategy which addresses the redevelopment of all homes classified as a "B" or a "C" home. The City of Toronto has six homes classified as either a "B" or "C". Each of them will need to be redeveloped in the next ten years through a multi-year redevelopment plan. MOHTLC's capital renewal strategy will provide funding in the amount of \$14.30 per diem over a 25-year period after construction is completed, to assist with the redevelopment of long-term care homes.

- Kipling Acres is LTCHS’ most urgent priority for redevelopment due to its aging facility. The long-term care home is also located between two priority neighbourhoods, which are underserved with respect to affordable housing with supportive services for seniors. An application for the redevelopment of Kipling Acres has already been submitted to the Province and Provincial decision of the application is expected by late November 2009.
- The 10-Year Recommended Capital Plan includes new cash flows and commitments of \$47.860 million for the Phase 1 redevelopment of Kipling Acres. New cash flows are in addition to the funding already spent on the Kipling Acres architectural study in 2009 of \$0.640 million and carry forward of unspent 2009 study funding of \$1.000 million into 2010. Hence, the total cost of redeveloping Kipling Acres is estimated at \$49.500 million gross, or \$22.447 million debt. Capital requirements in excess of the amounts included in the 10-Year Recommended Capital Plan will be required to proceed with the redevelopment of other five homes.

Key Changes to the 2009-2018 Approved Capital Plan

As outlined in the table below, the 2010 Recommended Capital Budget of \$12.410 million represents an increase of 41.0% or \$3.610 million compared to 2010 Approved Capital Plan estimate of \$8.8 million in 2009. The 10-Year Recommended Capital Plan has a \$45.651 million or 73.9 % increase over the 2009-2019 Approved Capital Plan over the 9 year period. The overall increase is due to the legislated redevelopment of Kipling Acres in years 2010-2013. In addition, cash flows for various H&S and SOGR projects have been reduced based on current needs, capacity to spend, and debt affordability.

Changes to the 2009-2018 Approved Capital Plan



Summary of Project Changes

Key Projects (\$000's)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2010 - 2018
Building Upgrades	(1,440)	(882)		(707)	200	1,959	1,959	1,959	1,959	5,007
Electrical	(260)	(500)	(961)			2,490	2,490	2,360	2,360	7,979
Mechanical	(200)	(918)	(1,132)		300	(4,253)	(4,253)	(4,399)	(4,399)	(19,254)
Specialty Systems	(990)		(101)		844	1,077	1,077	1,076	1,076	4,059
Kipling Acres Redevelopment	6,500	23,610	17,750							47,860

Project Financing

The Long-Term Care Homes & Services' 10-Year Recommended Capital Plan is funded by debt, recoverable debt, and reserve funds. \$73.199 million or 63% of the \$115.500 million gross budget is funded by debt, \$25.053 million of 22% is funded by recoverable debt, while \$17.248 million or 15% will be funded from the Homes for the Aged Capital Reserve.

10-Year Recommended Capital Plan Versus Multi-Year Debt Targets

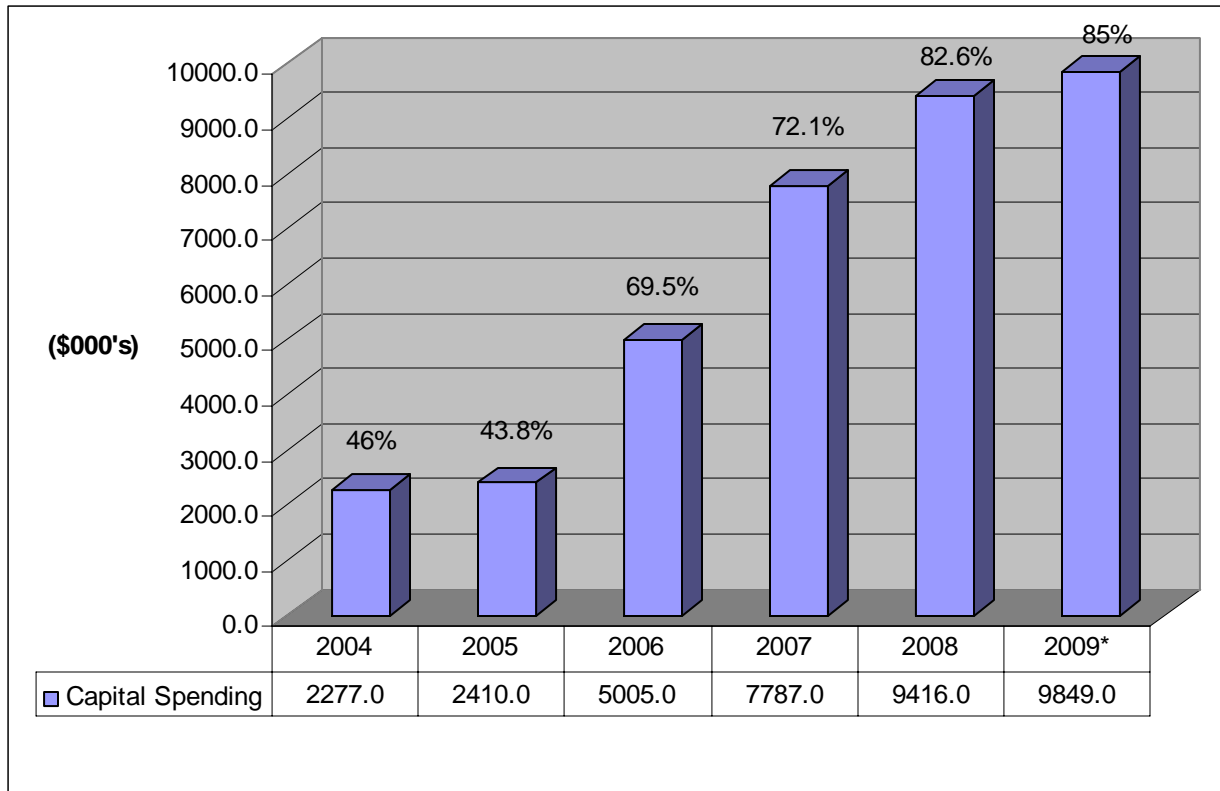
The 2010-2019 Recommended Capital Plan for the Long-Term Care Homes & Services is \$22.447 million above the debt affordability target of \$50.752 million over the ten years of the Capital Plan period as a result of the legislated requirement to redevelop Kipling Acres to new Provincial standards. The redevelopment is slated to commence mid-year 2010 and is estimated for completion by July of 2012. The 10-Year Recommended Plan meets the debt affordability targets in each year after 2012.

Program Capacity and Readiness to Proceed

The Long-Term Care Homes & Services' 2009 Approved Capital Budget of \$11.584 million was 39.3% or \$4.547 million spent, at of September 30th, 2009. Projected expenditures by year-end are \$9.849 million or 85% of the 2009 Approved Capital Budget.

While the labour disruption created delays for tender releases, the Program historically spends less than 85% of their cash flow. The 10-Year Recommended Capital Plan SOGR & H&S projects have been deferred and the revised cash flows are based on historical spending trends, needs assessment, capacity to spend, and debt affordability. Cost projections are based on engineering estimates and a comprehensive building assessment completed in the spring of 2006. Provincial approvals of the redevelopment of Kipling Acres are expected by late November 2009 and the architectural study has already begun. The study will be completed in the first quarter of 2010, at which time the construction of the home can commence.

Long-Term Care Homes & Services Capital Budget Spending (2004-2009)



Notes: *2009 Year-End Capital Budget Spending Rate Projection as of September 30th, 2009.

State of Good Repair (SOGR) Backlog

A comprehensive building condition assessment completed in the spring of 2006 identified a backlog of SOGR maintenance of \$6.4 million by the end of 2009 for the Program’s 10 homes (or 3.4% of LTCHS’ asset replacement value of \$189.0 million). This backlog increases to \$11.453 million in the first three years of the 10-Year Recommended Capital Plan period as a result of reduced SOGR spending due to deferrals of SOGR projects. The backlog will be reduced to \$2.9 million by 2019 with significant spending in the latter period of the 10-Year Recommended Capital Plan, representing a backlog of 1.5% of total asset values.

Capital Projects Highlights

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan reflect Long-Term Care Homes & Services’ strategic direction to ensure that health and safety issues are addressed and that the homes are maintained in a state of good repair to prevent future major costs from becoming necessary.

The Program’s Health and Safety and State of Good Repair projects ensure a safe and comfortable living environment for long-term care residents, of which some of the homes are located in priority neighbourhoods. The maintenance projects are designed to ensure the homes are in a state of good repair and in compliance with Provincial regulations, The 10-Year Capital Recommended Plan ensures that the ongoing repair and maintenance of heating/mechanical systems, outside repairs (windows, brickwork and paving), elevators and roofing is ongoing, prevents the likelihood of incurring more

extensive repairs in the future. Recommended funding for SOGR and H&S projects totals \$67.640 million over the 2010 to 2019 timeframe.

Furthermore, new funding of \$47.860 million is allocated to the legislated redevelopment of Phase 1 of Kipling Acres. The home is housed in an aging facility, located in a priority neighbourhood, and does not meet the modern design guidelines needed to provide a high quality and safe environment for residents. Currently, the home has 337 beds all located in one facility. Phase 1 of the redevelopment includes reconstructing the current 337-bed home into a 192-bed long-term care home on the existing 10.5 acre site. Redeveloping all 337 beds on the existing site is not consistent with current, age-friendly design trends, which focus on smaller, home-like environments. An opportunity exists to utilize the existing land space in the future to develop a campus of care (a community hub for seniors) by leveraging private partnerships and sponsors. Phase 2 of the Kipling Acres redevelopment would include reconstruction of the remaining 145 beds on a second site, however, at this time, funding for Phase 2 redevelopment has not been included in the 10-Year Recommended Capital Plan and is dependant on Provincial funding and approvals.

Summary of Major Capital Initiatives

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010-2019 Total
New & Expanded Facility Projects											
Kipling Acres Redevelopment	6,500	23,610	17,750								47,860
Sub-Total	6,500	23,610	17,750								47,860
Other Major Initiatives											
LTC Maintenance (SOGR)	1,475		466	595	4,854	4,871	4,871	4,861	4,861	4,861	31,715
LTC Maintenance (Health & Safety)	4,435	5,500	3,534	2,605	3,442	3,442	3,442	3,175	3,175	3,175	35,925
Sub-Total	5,910	5,500	4,000	3,200	8,296	8,313	8,313	8,036	8,036	8,036	67,640
Total	12,410	29,110	21,750	3,200	8,296	8,313	8,313	8,036	8,036	8,036	115,500

**10-Year Capital Plan:
Incremental Operating Impact Summary**

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010-2019 Total
2010 Recommended Capital Budget											
Program Costs (Gross)				(3,700)	(2,300)						(6,000)
Program Costs (Revenue)				(3,500)	(1,500)						(5,000)
Program Costs (Net)				(200)	(800)						(1,000)
Approved Positions				(15.0)	(25.0)						(40)
Debt Service Costs	142	870	1,363	881	-	-	-	-	-	-	3,256
Recommended 10-Year Capital Plan											
Program Costs (Gross)											-
Program Costs (Revenue)											-
Program Costs (Net)											-
Approved Positions											-
Debt Service Costs		50	260	260	384	906	915	915	915	915	5,521
Total											
Program Costs (Gross)	-	-	-	(3,700)	(2,300)	-	-	-	-	-	(6,000)
Program Costs (Revenue)	-	-	-	(3,500)	(1,500)	-	-	-	-	-	(5,000)
Program Costs (Net)	-	-	-	(200)	(800)	-	-	-	-	-	(1,000)
Approved Positions	-	-	-	(15)	(25)	-	-	-	-	-	(40)
Debt Service Costs	142	920	1,623	1,141	384	906	915	915	915	915	8,777

Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years.

The Long-Term Care Homes & Services 10-Year Recommended Capital Plan will result in new debt service costs of \$0.142 million in 2010, and \$8.635 million in years 2011-2019. Debt service repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% in Year 1, and 13% for subsequent years.

In an effort to mitigate pressures and prepare Kipling Acres for its redevelopment, the 2009 Approved Operating Budget for Long-Term Care Homes & Services already includes a reduction of 75 beds, from 337 beds to 262 beds, resulting in net savings of \$0.632 million.

The additional downsizing of 70 beds (from 262 beds to 192 beds) following the completion of Phase 1 redevelopment, will result in incremental net savings of \$0.200 million in 2013 and \$0.800 million in 2014. The Program also estimates that a total of 40 positions will be temporarily eliminated, pending completion of Phase 2 redevelopment for 145 long-term care beds. Upon completion of construction in 2013, 192 residents will be moved to the newly redeveloped home. If necessary, the remaining residents will be transferred to other available homes. LTCHS will not be eligible to receive the MOHLTC transition support funding payments under the capital renewal program, which will result in lost revenues during the downsizing process in 2013 and 2014.

In addition, any operational cost savings identified as a result of the 2010-2019 capital SOGR and H&S projects in the form of decreased repair costs and energy cost savings through window replacements, and HVAC and heating plant upgrades, will be included in the future years' operating budgets. These cost savings will be reviewed and quantified with any operating costs and/or savings included in the 2011 Capital Budget process.

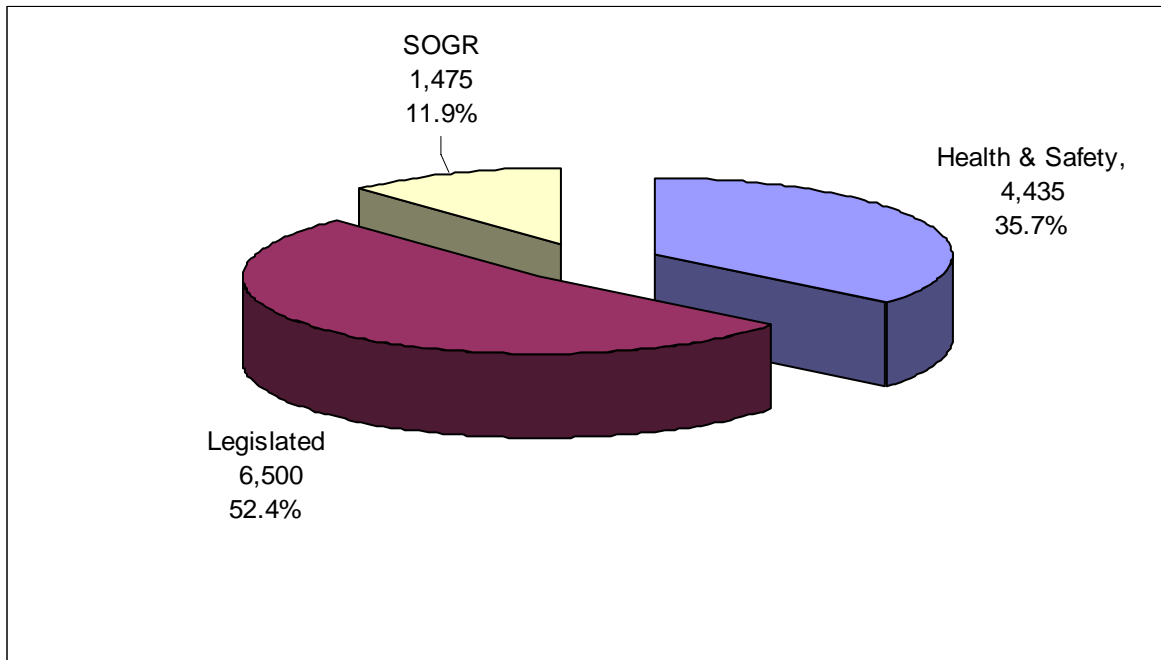
Total 2010 Recommended Cash Flow & Future Year Commitments

(In \$ Thousands)	2008 & Prior Year Carry Forwards	2010 Previously Approved Cash Flow Commitments	2010 New Cash Flow Rec'd	2010 Total Cash Flow Rec'd	2009 Carry Forwards	Total 2010 Cash Flow (Incl 2008 C/Fwd)	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenditures															
Previously Approved		2,000		2,000	1,375	3,375									
Change in Scope				0		0									
New			3,910	3,910		3,910									
New w/Future Year			6,500	6,500		6,500	23,610	17,750							
Total Expenditure		2,000	10,410	12,410	1,375	13,785	23,610	17,750	-	-	-	-	-	-	-
Financing															
Debt			5,672	5,672		5,672	10,987	8,388							
Reserves/Reserve Funds		2,000	1,310	3,310	1,375	4,685	360								
Federal Subsidy						-									
Provincial Subsidy						-									
Debt (Recoverable)			3,428	3,428		3,428	12,263	9,362							
Total Financing		2,000	10,410	12,410	1,375	13,785	23,610	17,750	-	-	-	-	-	-	-

- Long-Term Care Homes & Services’ 2010 Recommended Capital Budget is \$13.785 million and provides funding for 2009 projects carried forward into 2010 of \$1.375 million; previously approved 2010 commitment funding of \$2.0 million; and, \$10.410 million for new projects. Approval of the 2010 Recommended Capital Budget will result in funding commitments of \$23.610 million in 2011, and \$17.750 million in 2012, required for the completion of the Kipling Acres Phase 1 redevelopment.
- The approval of the 2010 Recommended Capital Budget will provide funding for the ongoing SOGR & H&S projects (elevator modernization, nurse call systems, HVAC repairs, and building upgrades) as well as redevelopment of Kipling Acres for 192 beds.
- The 2010 capital financing is comprise of new debt funding of \$5.672 million, recoverable debt funding of \$3.428 million, with the remainder financed by the Homes for the Aged Capital Reserve.

2010 Recommended Capital Budget: Overview

Capital Budget by Project Category



The following summarizes the allocation of recommended funding by project category:

- The 2010 Recommended Capital Budget reflects the allocation of significant funding for a *Legislated project*. The legislated project for Kipling Acres is \$6.500 million or 52.4% of the total new cash flow of \$12.410 million being recommended for 2010, and is a result of the Kipling Acres redevelopment.
- *Health & Safety projects* represent 35.7% or \$4.435 million of the total new recommended cash flow for 2010. H&S projects include funding for Fire & Nurse Call Systems, Building safety upgrades, and Elevator Modernization.
- *SOGR projects* account for 11.9% or \$1.475 million of the 2010 Recommended Capital Budget funding and include building exterior upgrades, as well as HVAC repairs.

2010 Recommended Capital Budget versus Debt Target

The 2010 Recommended Capital Budget requires 2010 cash flows of \$12.410 million with debt funding of \$5.672 million. This cash flow combined with funding carried forward of \$1.375 million for 2009 projects results in a total 2010 Recommended Capital Budget of \$13.785 million. The 2010 Recommended Capital Budget for the Long-Term Care Homes & Services does not meet the 2010 debt affordability target of \$2.600 million. The 2010 Recommended Capital Budget is \$3.072 million over the debt target as a result of cost requirements to redevelop Kipling Acres. Once the home is reconstructed and fully occupied, LTCHS will begin to receive annual Provincial subsidies of \$1.002 million for 25 years.

Capacity and Readiness to Proceed

The 2010 Recommended Capital Budget is ready to proceed. SOGR and H&S projects have been reprioritized and cash flows have been adjusted based on the 2006 building condition assessment, capacity to spend, debt affordability, and historical spending trends.

Provincial approvals for Kipling Acres redevelopment are expected before the end of 2009. Architectural study is in progress and it is anticipated that construction of Kipling Acres will start by July of 2010 (contingent upon MOHLTC approval).

Capital Project Highlights

The 2010 Recommended Capital Budget includes projects that address the Program's multi-year plan and strategic vision, while advancing priority actions in the Mayor's and Council's policy agenda, such as influencing positive outcomes for Toronto's communities, improving public service, and strengthening at-risk communities.

The 2010 Recommended Capital Budget is \$13.785 million (including \$1.375 million in 2009 carry forward funding into 2010), with \$5.672 million funded from debt, \$3.428 million funded from recoverable debt and \$4.685 million from the HFA Capital Reserve Fund. The 2010 Recommended Capital Budget includes ongoing funding for SOGR and H&S projects to:

- Replace damaged flooring and carpets, ceiling tiles, lighting fixtures, air handling units, exhaust fans, hot water heaters, HVAC and piping systems, and hand rails in various long-term care homes; reconstruct parking lots, walkways and perimeter fences, widen access points and exterior building repairs (\$2.515 million).
- Modernize hydraulic passenger and freight elevators (\$2.775 million).
- Upgrade nurse call systems in long-term care homes with Special Care Units, replace fire alarm and suppression systems (\$0.995 million).
- Start of construction for the redevelopment of Kipling Acres, expected in mid 2010 (\$7.500 million)

PART II: ISSUES FOR DISCUSSION**2010-2019 Recommended Capital Plan Issues****Kipling Acres Redevelopment – Phase 1**

The Province announced on July 31, 2007, plans to redevelop long-term care homes in Ontario over a 10-15 year period. The MOHLTC has already provided an outline of the capital renewal strategy which plans to redevelop all homes classified as a “B” or a “C” home. The City of Toronto has six homes classified as either a B or C. Each of them will need to be redeveloped in the next 10-15 years through a multi-year redevelopment plan, with prioritization. Kipling Acres is LTCHS’ most urgent priority for redevelopment due to its aging facility. As Kipling Acres is deemed to be a type B facility by the MOHLTC standards, the facility must be redeveloped. Not proceeding with the redevelopment would result in the Program being in non-compliance with the Province and could lead to financial penalties and even shutting down of Kipling Acres. Similarly, a delay in the redevelopment would also result in a significant increase in H&S and SOGR costs. Over the last three years, Long-Term Care Homes & Services has spent \$4.1 million on H&S and SOGR upgrades for Kipling Acres to meet MOHLTC compliance requirements. With the introduction of the new Long-Term Care Homes Act requirements (expected in 2010), SOGR upgrades for Kipling Acres could amount to \$15.000 million before 2014.

An application for the redevelopment of Kipling Acres has already been submitted to the Province (in July 2009) and Provincial approvals of the application are expected by late November 2009.

Currently, Kipling Acres has 337 long-term care beds. Final configuration of the Kipling Acres redevelopment plan is contingent upon MOHLTC and LHIN approvals, however at present time, the 10-Year Recommended Capital Plan includes funding for Phase 1 of the redevelopment of Kipling Acres into a smaller home of 192 beds on the existing 10.5 acre site. Redeveloping the full 337 beds on the existing site is not consistent with current age-friendly design trends, which focus on smaller, less institutional, home-like environments. In addition, development of a smaller home, allows the Program to further pursue and research a unique opportunity to utilize the remainder of the existing land to develop a campus of care model, with supportive housing, community agency space, general community space and retail space all within the same campus.

Campuses of care minimize the transition for seniors when their care needs change. Aging in place allows couples, family members, and friends to remain on the site when their levels of care are different, and prevents the increased risk of isolation and decline as seniors move away from family and friends. Campuses of care also provide other community and retail space on the same site, creating a hub for tenants, residents, and the community-at-large. Funding for the campus of care development would come from private partnerships, third party investors and sponsors and there would be no net cost to the City.

The remaining 145 beds (out of the approved 337 beds for Kipling Acres) would be constructed on a different site in future years as part of Phase 2 when viable. Capital requirements for the Phase 2 redevelopment of Kipling Acres will be included in the future years capital plans, as details, configurations and funding become available.

MOHLTC's capital renewal strategy will provide some funding for redevelopment of long-term care homes, however it is provided on a per diem basis and cash flowed over a 25-year period. Construction funding will be \$13.30 per diem for a 25 year period. The additional \$1.00 per diem will be available for successful LEED (Leadership in Energy and Environmental Design) Silver Certification. Funding will begin once the home is at full occupancy, which is set for 2013. This translates to annual Provincial funding of \$1.002 million for Kipling Acres (Phase 1) in years 2013-2038, thereby requiring the City to fund \$24.447 million in debt in advance of Provincial funding receipts. Upon completion of redevelopment of Phase 1, annual Provincial funding of \$1.002 million for 25 years, will be applied against debt charges in the Non-Program budget to reduce debt costs for the portion of debt advanced by the City. If the Provincial funding is not confirmed, the Kipling Acres redevelopment will not proceed and a further report will be submitted to Budget Committee. Thus, it is recommended that the redevelopment of Kipling Acres be subject to Provincial funding confirmation.

The total cost of the Phase 1 redevelopment project is \$49.500 million, out of which \$25.053 million is funded by recoverable debt (Provincial subsidies), \$22.447 is funded from debt, and \$2.0 million is funded from the HFA Reserve Fund. The redevelopment of Kipling Acres is the reason the Program is \$22.447 million over the debt target of \$50.752 million.

In an effort to prepare Kipling Acres for the redevelopment, LTCHS included savings from a temporary downsize of 75 beds, from 337 beds to 262 beds, in the 2009 Approved Operating Budget. If LTCHSHS proceeds with the redevelopment of Kipling Acres into a 192 bed long-term care home (subject to the necessary approvals of MOHLTC and Central West LHIN), the Program will continue to operate the home at its existing service level throughout the construction period (2010-2012). Accordingly, there will be no additional downsizing until 2013-2014, at which time downsizing of 70 beds and 40 positions would take place, resulting in total incremental net savings of \$1.0 million.

2011-2019 Recommended Capital Plan Issues

Redevelopment of Remaining B or C Long-Term Care Homes

If the capital renewal strategy is launched as expected with a 10-15 year window for redevelopment of all Ontario B and C long-term homes, the Program will be required to also redevelop Fudger House, Carefree Lodge, Castlevue Wychwood Towers, Lakeshore Lodge, and Seven Oaks. Capital requirements in excess of the amounts included in the Recommended 10-Year Capital Plan will be required to implement this plan. It is recommended that the Program report back to the Community Development and Recreation Committee and Budget Committee, as part of the 2011 Capital Budget process, on a plan to redevelop type remaining B and C long-term care homes within the 10-Year Capital Plan that includes the following:

- a) proposed business model;
- b) minimum financial requirements to reconstruct the type B and C classified long-term care homes;
- c) timing of expenditures and bed development; and
- d) implications on state of good repair backlog of not proceeding in the next ten years.

Preliminary cost estimates for each type B and C home planned for redevelopment are shown below:

LTC Home	Total Project Cost	Estimate Cash Flows (\$000's in millions)							
		2012	2013	2014	2015	2016	2017	2018	2019
Castlevue Wychwood Towers	52,500	850	25,825	25,825					
Fudger House	45,500			850	22,325	22,325			
Carefree Lodge	45,500					850	22,325	22,325	
Castlevue Wychwood Towers	42,000					750	20,625	20,625	
Lakeshore Lodge	16,350						450	7,950	7,950
Seven Oaks	21,500						500	10,500	10,500
Total	223,350	850	25,825	26,675	22,325	23,925	43,900	61,400	18,450

Homes for the Aged Reserve Fund Depletion

The HFA Capital Reserve was established in 1998 with the express purpose of funding health and safety projects and/or minor capital upgrades. The HFA Capital Reserve has been entirely funded from the MOHLTC for life safety and/or minor capital upgrades.

The 10-Year Recommended Capital Plan includes draws of \$16.888 million from the HFA Capital Reserve Fund. In addition, the Program is forecasting an average annual contribution from the Ministry of Health Long-Term Care of \$1.342 million in each year in the form of Provincial Structural Compliance Premiums. As well, the Program anticipates that there will be a change in the MOHLTC capital funding policy, which will provide the Program with additional provincial funding that may fund future capital maintenance needs, however the new policy has not been confirmed at this time.

Based on the recommended withdrawals from the Capital Reserve, the HFA Capital Reserve Fund will be depleted by the end of 2012. The long-term sustainability of the Reserve is being reviewed by LTCHS and Financial Planning staff prior to the 2011 Capital Budget process.

Appendix 1

10-Year Recommended Capital Plan Project Summary

Project	2010	2011	2012	2013	2014	2010-2014 Total	2015	2016	2017	2018	2019	Total 10- year Plan
Building Upgrades	1,187	605	466	452	3,479	6,189	3,479	3,479	3,479	3,479	3,479	23,584
Electrical	995	1,443	1,971	1,530	2,490	8,429	2,490	2,490	2,360	2,360	2,360	20,489
Mechanical	1,328	2,585	1,414	768	1,258	7,353	1,267	1,267	1,121	1,121	1,121	13,250
Specialty Systems	2,775	867	149	450	1,069	5,310	1,077	1,077	1,076	1,076	1,076	10,692
Kipling Acres Redevelopment	7,500	23,610	17,750			48,860						48,860
Total Program (including carry forwards)	13,785	29,110	21,750	3,200	8,296	76,141	8,313	8,313	8,036	8,036	8,036	116,875

Appendix 2
2010 Recommended Capital Budget; 2011 to 2019
Capital Plan

Appendix 3

**2010 Recommended Cash Flow
And Future Year Commitments**

Appendix 4
2010 Recommended Capital Projects
With Financing Details

Appendix 5

Reserve / Reserve Fund Review

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Balance as of December 31, 2009	Proposed Cash Flows										2010-2019 Total
			2010 Rec Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	
XR2103 HFA Capital Reserve Fund	Beginning Balance	11,661	4,216	2,612	434	96	247	184	192	200	208	216	11,661
	Provincial Structural Compliance Premiums	1,652	1,652	1,652	1,652	1,344	1,273	1,273	1,273	996	996	996	14,759
	Interest Income	93	34	21	9	2	5	4	4	4	4	4	183
	Capital Plan withdrawals	(9,224)	(3,310)	(3,860)	(2,000)	(1,200)	(1,344)	(1,273)	(1,273)	(996)	(996)	(996)	(26,472)
	Total Proposed Contributions (Withdrawals)	(7,479)	(1,624)	(2,187)	(339)	146	(66)	4	4	4	4	4	(11,530)
XR2103 BALANCE AT YEAR-END		4,182	2,591	425	94	242	181	188	196	204	212	220	131

Appendix 6

2010 to 2019 New and Expansion Facility Projects

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010-2019 Total
New & Expanded Facility Projects											
KIPLING ACRES REDEVELOPMENT:											
Architectural Study, Fees & Design	1,000	860									1,860
Kipling Acres Construction (Phase 1)	6,500	21,000	12,500								40,000
Kipling Acres Demolition			2,000								2,000
Kipling Acres Landscaping			1,000								1,000
Adult Day/Child Care Reconstruction			500								500
Kipling Acres Contingency Plan		1,750	1,750								3,500
Total	7,500	23,610	17,750								48,860